



Newsletter

In This Issue

Children Families Health & Human Services...	1
Economic Affairs	2
Education and Local Government	3
Energy & Telecommunications Committee	3
Environmental Quality Council	4
Law and Justice	4
Legislative Council	5
Commissioner on National Conference of Commissioners on Uniform State Laws.....	6
Revenue & Transportation.....	6
State Administration & Veterans' Affairs	6
Tribal Relations	7
The Back Page	
SB 175 Brings School Funding Changes	8

CFHHS Plans for Studies, Oversight Work

The Children, Families, Health, and Human Services Committee adopted plans in June for studies of state institutions and of prescription drug abuse.

However, members will decide in September whether to revise the plan for the House Joint Resolution 16 study of state institutions. The possible revision would include a more in-depth look at mental health and developmental disability services provided at the community level.

Members also will spend time monitoring matters related to the Department of Public Health and Human Services over the next 14 months. Topics will include the Medicaid program, the handling of child abuse and neglect cases, and the work of the newly authorized Montana Suicide Review Team.

The committee's general work plan and the plans for the two studies are available on the committee's website, www.leg.mt.gov/cfhss. Links to the plans are in the Announcements section on the home page.

HJR 16 Study Scope

HJR 16 calls for a study of state institutions that serve individuals with mental illness, intellectual disability, or chemical dependency, to see if changes to the current system could result in more effective treatment.

The committee agreed that the study should focus primarily on mental health services provided at the institutions. HJR 16 suggested that the study specifically review services at:

- the Montana State Hospital at Warm Springs, the primary public institution serving adults with mental illness;
- the Montana Developmental Center at Boulder, serving seriously developmentally disabled adults;
- the Montana Chemical Dependency Center at Butte, providing residential substance abuse treatment;
- the Mental Health Nursing Care Center at Lewistown, providing long-term care to individuals with mental illness;
- the Montana State Prison at Deer Lodge; and
- the Montana Women's Prison at Billings.

The study also will look at alternative ways to provide services, including community-based services.

The plan drew comments both from individuals and from representatives of several advocacy groups. Some speakers suggested that the study should include a more extensive review of community services in the mental health and developmental disability systems. Their comments prompted the committee's decision to revisit the study plan at the September meeting.

The committee also plans to tour the Montana State Hospital, the Montana Developmental Center, the Chemical Dependency Center, and the Montana State Prison during its September meeting.

Prescription Drug Abuse

In approving the Senate Joint Resolution 20 study plan, committee members agreed that other studies have already documented the problem of prescription drug abuse. As a result, the study will concentrate on ways to reduce and prevent abuse of the drugs.

The committee plans to involve health care providers, law enforcement officials, substance abuse treatment providers, and state agencies in study activities. The study also will look at the role the Montana Prescription Drug Registry plays in prevention efforts.

Leaders Elected

The committee elected Sen. Dave Wanzenried, D-Missoula, as presiding officer and Rep. Ron Ehli, R-Hamilton, as vice presiding officer.

Next Meeting

The committee will meet next on Sept. 16-17 and plans to travel to Boulder, Warm Springs, Deer Lodge, and Butte as part of its HJR 16 study. For more information on the committee's activities and upcoming meeting, visit the committee's website or contact Sue O'Connell, committee staff.

Committee Website: www.leg.mt.gov/cfhhs
Committee Staff: soconnell@mt.gov or 406-444-3597

EAIC Emphasizes Work Comp

The Economic Affairs Committee agreed June 25 to a detailed workers' compensation study and to address such member interests as the progress on health insurance exchanges, the paperwork involved in cross-border transfers of horses, and the application of military training to civilian job requirements. The committee is assigned oversight of industries ranging from agriculture to all forms of insurance and economic development.

The committee also elected Sen. Bruce Tutvedt, R-Kalispell, as presiding officer and Rep. Ryan Lynch, D-Butte, as vice presiding officer.

Regular monitoring of eight agencies or departments will fill part of the committee's schedule. Also in the work plan are reviews of selected professional or occupational licensing boards, which the committee will study as directed by House Bill 525 passed in the 2011 session. The study will determine if the boards remain necessary for a public purpose and should be retained or, if not, terminated.

For the workers' compensation study requested by House Joint Resolution 25, the committee decided to handle all of the elements of the study rather than rely on the Labor-Management Advisory Council to do some of the work. The council has public-private members and will be meeting in the coming months to address some of the same topics. HJR 25 calls for reviewing subrogation, as well as analyzing the structure of the Montana State Fund and the impacts of a 2011 bill, House Bill 334, on injured worker benefits. Handouts from the June 25 meeting are available on the committee website.

At the upcoming Aug. 21 meeting the committee will hear:

- an explanation of how premiums are set in the workers' compensation system;
- recommendations from state and federal entities on how to improve workplace safety;
- expectations of the three health insurers -- Blue Shield-Blue Cross of Montana, Pacific Source, and the Montana Health Co-Op -- that will be offering health insurance to Montanans on the federally facilitated health insurance exchange;
- a review of the Department of Labor and Industry from Commissioner Pam Bucy; and
- information on the duties and budgeting processes of the Business Standards Division, which oversees professional and occupational licensing boards as well as the Weights and Measures Bureau. The Weights and Measures Bureau separately will provide information on a proposed fee increase for operators of gasoline pumps and other measuring devices.

Next Meeting

The committee's Aug. 21 meeting will be in the Capitol's Room 137. For an agenda and more information on the meeting, visit the committee's website or contact Pat Murdo, committee staff.

Committee Website: www.leg.mt.gov/eaic
Committee Staff: pmurdo@mt.gov or 406-444-3594.

Education and Local Government to Investigate Electronic Records Management

The Education and Local Government Interim Committee will identify strategies for the management of electronic records for state and local government during the 2013-2014 interim. The committee met June 24 to hear updates from several agencies as well as to take input on topics the committee might incorporate into its work plan. Sen. Tom Facey, D-Missoula, was elected as presiding officer at the meeting and Rep. Donald Jones, R-Billings, was elected vice presiding officer.

HJR 2 Study

House Joint Resolution 2 requests an interim study to investigate electronic records management by state and local government. On June 24, the committee heard from a panel of the state archivist and representatives of the Secretary of State and the State Information Technology Services Division. The panel emphasized the importance of this topic and recommended a “work group” approach to the study, as strategies for identifying, classifying, managing, and preserving electronic records will require ongoing collaboration between numerous agencies, offices, and local governments. The committee requested a more comprehensive overview of the topic at its September meeting, and recognizing the expertise of the panel members and other stakeholders, directed staff to schedule reports from the work group at each ELG meeting throughout the interim.

The 2011-2012 Select Committee on Efficiency in Government requested HJR 2 after the committee identified the lack of an enterprise-wide electronic records management strategy jeopardized the legal integrity, public access and accountability, and general efficiency of government.

Additional Topics

Following agency updates, public input, and member discussion, the committee indicated to staff its desire to track several additional issues over the interim. The issues will be added to the work plan for approval at the September meeting and will likely include agenda items on:

- tracking the change from the GED to the HiSET High School Equivalency Exam;
- hearing from school districts regarding the implementation of Senate Bill 175 (2013);
- considering the recommendations of the legislative audit on school transportation funding and safety;
- examining the process related to 20-7-101, MCA, regarding adoption of accreditation standards and reviewing

the process as it pertains to the adoption of Common Core standards;

- reviewing charter school legislation from the 2013 session;
- hearing a report on early childhood education initiatives; and
- assembling a panel of representatives of oil and gas development-impacted areas on infrastructure status and needs.

Next Meeting

The ELG committee will gather in Capitol Room 137 Sept. 23-24. For more information on the committee’s activities and upcoming meeting, visit the committee’s website or contact Pad McCracken, committee staff.

Committee Website: www.leg.mt.gov/elgic

Committee Staff: padmccracken@mt.gov or 406-444-3595

Energy Committee to Tour Wind Farms

The Energy and Telecommunications Interim Committee is hitting the road and heading to Harlowton to get a close-up view of wind farms in Montana.

The ETIC meets Sept. 12-13 in Harlowton. The meeting begins at 9:30 a.m., Sept. 12 at the Kiwanis Youth Center, 207 Third Street N.E.

To begin its work on Senate Joint Resolution 6, a study of the Montana renewable portfolio requirements, the committee agreed to visit the Judith Gap Wind Energy Center. The center was built in 2005 between Harlowton and Judith Gap. Judith Gap -- with 135 megawatts in maximum capacity -- was the state’s first large commercial wind farm. On a yearly basis the 90 turbines produce about 450,000 megawatt-hours, or enough electricity to supply 7-8 percent of NorthWestern Energy’s base customers. The power is sold to NorthWestern Energy under a long-term contract and is used by the utility to assist in meeting its statutorily required renewable portfolio requirements.

The committee also will be hearing from Wheatland County businesses and local government officials about how renewable energy development has influenced the local economy. Members will learn about property taxes paid, contributions to state school trust funds, lease payments, construction jobs, and maintenance and operations jobs.

Throughout the interim the committee will be examining the economic and environmental impacts of Montana’s renewable portfolio standard, as well as the impacts the standard has had on Montana consumers.

On Thursday, the committee will visit a series of qualifying small power production facilities. Qualifying facilities are largely a creation of the federal Public Utility Regulatory Policies Act of 1978, which established a class of generating facilities that receive special rate and regulatory treatment. Generating facilities in this group are known as qualifying facilities. These are generally 80 megawatts or less and whose primary energy source is renewable.

The first qualifying facility on the tour is the 9.7-megawatt Two Dot Wind Farm located in Wheatland County near Two Dot. NorthWestern Energy signed a 25-year qualifying facility agreement with OwnEnergy, Inc., for the project. The project was developed as a result of a partnership between OwnEnergy and Two Dot Wind, LLC, whose owners, Dave Healow and Dana Dogetrom, are local businessmen. Mr. Healow also will show the committee additional qualifying facilities, including the Martinsdale Wind Farm located at the Martinsdale Hutterite Colony.

The committee will finish up its tours with a stop at the 9.6-megawatt Gordon Butte wind farm near Martinsdale. The project was developed by Oversight Resources in Bozeman and constructed by Dick Anderson Construction. It is a qualifying facility, and the power is sold to NorthWestern Energy to meet community renewable energy requirements in Montana.

The qualifying facility discussion will continue with an update from the Public Service Commission. The PSC may amend its rules governing qualifying small power production facilities. The PSC's current rule makes standard contracts available to qualifying facilities up to 10 megawatts. The Commission is considering a proposed amendment to its administrative rules to reduce standard contract eligibility to 100 kilowatts, among other changes. The rule change has been the subject of much discussion. In late June, 15 legislators requested an economic impact analysis be conducted by the PSC in response to the proposed rule changes. The economic impact statement must be completed before final PSC action on the proposed rule.

During the September meeting, ETIC members also will host a panel discussion about green school construction, renovation, operations, and maintenance. The committee will receive an update on interoperability. The statewide Interoperability Governing Board directs the operation of the statewide public safety radio system formerly operated by Interoperability Montana.

Next Meeting

The committee meets next on Sept. 12-13. The meeting will be at the Harlowton Kiwanis Youth Center. For more information on the committee's activities and upcoming meeting,

visit the committee's website or contact Sonja Nowakowski, committee staff.

Committee Website: www.leg.mt.gov/etic

Committee Staff: snowakowski@mt.gov or 406-444-3078

EQC Surveys Counties on Federal Lands

The Environmental Quality Council is asking county commissioners whose counties have at least 15 percent federal land within their borders their opinions on federal land management.

A working group of the EQC in July finalized the survey. It is hoped that the counties submit replies in August, but no later than November.

The survey is required by Senate Joint Resolution 15, which the 2013 Legislature passed for a study evaluating the management of certain federal lands in Montana, assessing risks, and identifying solutions.

More than 29 percent of the land within Montana, or about 27.4 million acres, is managed by federal agencies. The survey questions touch on public health, safety, and welfare; environmental quality; economics; and jurisdictional issues. Of the 56 Montana counties, 35 have at least 15 percent of the land under federal jurisdiction.

EQC Chairman Sen. John Brenden, R-Scobey, is chairman of the working group. Other members are Vice Chairman Rep. Bill McChesney, D-Miles City; Sen. Bradley Hamlett, D-Cascade; Sen. Jennifer Fielder, R-Thompson Falls; Rep. Ed Lieser, D-Whitefish; and Rep. Kerry White, R-Bozeman.

The survey and other information about SJ15 can be found by [clicking here](#).

Next meeting

The next EQC meeting is Sept. 11-12 in Room 172 of the Capitol. For more information on the committee's activities and upcoming meetings, visit the committee website or contact Joe Kolman, committee staff.

Committee Website: www.leg.mt.gov/eqc

Committee Staff: jkolman@mt.gov or 406-444-3747

MacDonald to Head Law and Justice Committee

The Law and Justice Interim Committee met July 10 to organize its work for the 2013-2014 interim. Members elected Rep. Margaret "Margie" MacDonald, D-Billings, as its presiding officer and chose Sen. Terry Murphy, R-Cardwell, as the vice presiding officer. The LJIC also adopted a work plan and

approved study plans to guide its work on interim studies of the Board of Pardons and Parole and of family law procedures.

Representatives from the agencies and boards under the LJIC's jurisdiction introduced themselves to the committee members, talked about their agencies, and fielded questions from the members. The agencies required by law to report to the LJIC are:

- the Department of Justice;
- the Department of Corrections;
- the Office of the State Public Defender; and
- agencies or boards that are administratively attached to those entities, including the Board of Crime Control and the Board of Pardons and Parole.

The LJIC also serves as the liaison to the Judicial Branch.

After MacDonald presented an update on the Pew Conference on Sentencing and Corrections reform that she attended in late June, the LJIC listened to the public's testimony about how the committee should tackle the two studies assigned to it. The first, Senate Joint Resolution 3, is a study of the Board of Pardons and Parole. The committee agreed to devote about 30 percent of its time this interim to the study. The second study, Senate Joint Resolution 22, is a study of family law procedures and alternatives, and the committee voted to spend 20 percent of its time on that work. Members will spend more time on each study at the committee's next meeting in September.

The committee decided to use remaining portions of committee time to conduct routine, required oversight of the agencies and also to explore topics of interest to the committee's members. The committee voted to spend 25 percent of its time on the member-generated topics. Topics discussed by the LJIC for future agendas include:

- an update on the re-entry initiative at the Department of Corrections;
- ongoing updates on the HJ 16 study by the Children and Families Interim Committee of state-operated institutions serving people with mental illness, intellectual disabilities, and chemical dependency; and
- an overview by the Montana Department of Justice of the National Instant Criminal Background Check System as it relates to people with mental illnesses and Montana's privacy laws.

In September, the committee will also discuss if the LJIC wants to take a deeper look at the funding and operation of the Office of the Public Defender.

Next Meeting

The committee meets next on Sept. 19-20 in Helena. For more information on the committee's activities and upcoming meeting, visit the LJIC website or contact Rachel Weiss, committee staff.

Committee Website: www.leg.mt.gov/ljic

Committee Staff: rweiss@mt.gov or 406-444-5367

Legislative Council Meets Aug. 22-23 for Strategic Planning

The Legislative Council's next meeting will be Aug. 22-23 for their traditional, biennial strategic planning session. The Council will meet in the Capitol Building for a short business session at 11 a.m. Aug. 22 and then will reconvene off-campus to hold a strategic planning session that afternoon and the morning of Aug. 23. The Council and management staff meet:

- to discuss their priorities for the Legislature as an institution and improvements they want to make in keeping with the Legislative Council's mission to provide ongoing leadership, direction, and foresight for the efficient operation and improvement of the Legislative Branch;
- to establish personnel and pay policies in order to maintain professional and highly motivated employees;
- to educate the public about the Legislature and foster public participation in the legislative process; and
- to preserve the integrity of the Legislature as an equal branch of government.

For more information on the committee's activities and upcoming meeting, visit the committee's website or contact Susan Byorth Fox, committee staff.

Committee Website: www.leg.mt.gov/legcouncil

Committee Staff: sfox@mt.gov or 406-444-3066

Applicants Sought for Commissioner on National Conference of Commissioners on Uniform State Laws - deadline nears!

The Legislative Council is seeking applicants interested in serving on the National Conference of Commissioners on Uniform State Laws or Uniform Law Commission (ULC) following the resignation of Justice Michael Wheat. The Legislative Council regretfully accepts his resignation and sincerely thanks Justice Wheat for his service on the Commission.

The Uniform Law Commission members research, draft, and promote enactment of uniform state laws in areas of state law where uniformity is desirable and practical. The Legislative Council is responsible for appointing a new member and is accepting applications. In order to apply, one must be a member of the State Bar. ULC members serve four-year terms and receive reimbursement for expenses incurred attending ULC annual meetings. The Legislative Council will select the new member at their Aug. 22 meeting. If you are interested in applying, please send a letter of interest and resume by Aug. 15 to the Legislative Council, c/o Susan B. Fox, PO Box 201706, Helena, MT 59620. for more information, contact Susan Fox at 406-444-3066 or sfox@mt.gov.

RTIC Study Plan Includes Oversize Loads

The Revenue and Transportation Interim committee met June 27 in Helena and elected Sen. Christine Kaufmann, D-Helena, as chair and Rep. Nancy Ballance, R-Hamilton, as vice chair. The committee also adopted a work plan for the interim and study plans for the Senate Joint Resolution 23 study of the taxpayer appeal process and the Senate Joint Resolution 26 study of oversize loads.

The work plan includes a meeting schedule, a schedule for receiving reports related to the committee's revenue estimating duties, and a plan for reviewing required reports and advisory councils. In addition, the work plan devotes time later in the interim to educational items related to revaluation for property taxes. The revaluation cycle will be complete Dec. 31, 2014, and the Department of Revenue will provide preliminary values to RTIC at the committee's November meeting.

The committee also heard presentations from the two agencies it monitors: the departments of Revenue and Transportation. The Department of Revenue provided information on implementation of some bills passed by the 2013 Legislature. The department also presented a tentative 2015 reappraisal work timeline. The Department of Transportation provided the committee with an agency overview that covered funding, asset management, and safety goals.

Next Meeting

The committee meets next on Oct. 1-2. Much of that meeting will be devoted to background information for the committee's two studies. The committee will also receive a fiscal year 2013 Revenue Report to support its revenue estimating duties and agency updates. For more information on the committee's activities and upcoming meetings, visit the committee's website or contact Megan Moore, committee staff.

Committee Website: www.leg.mt.gov/rtic

Committee Staff: memoore@mt.gov or 406-444-4496

SAVA Sets Sights on Commissioner of Political Practices

The State Administration and Veterans' Affairs Interim Committee set as its top priority the House Joint Resolution 1 study of the structure and duties of the Office of the Commissioner of Political Practices. The study will also examine alternatives for selecting the commissioner.

Also at its first meeting of the interim, the committee elected Sen. Dee Brown, R-Hungry Horse, as its presiding officer and Rep. Bryce Bennett, D-Missoula, as its vice presiding officer; adopted a work plan and tentative meeting schedule for the interim; and objected to an emergency rule adopted by the Public Employees' Retirement Board. The committee also received overviews about the agencies for which it has oversight responsibility.

Currently, a four-member selection committee composed of the Speaker of the House, the President of the Senate, and the minority leaders of both houses of the Legislature nominates two to five individuals for the governor's consideration as commissioner of political practices. The governor may or may not appoint a nominated individual and the appointment is subject to Senate confirmation. If the Senate does not confirm the appointment, a vacancy is created and the governor must make a new appointment. If confirmed, the commissioner's term of office is six years from the date of appointment. The office is responsible for enforcing laws regulating lobbyists, campaign practices and financial disclosure, and the ethical conduct for state employees and elected and appointed public officials. The committee will review and adopt a detailed study plan for HJR 1 at its next meeting.

Primary, school elections study

The second priority of the committee is the Senate Joint Resolution 14 study of combining primary and school elections. The resolution requests that the committee identify how to combine these elections -- not whether to combine them. Advocates of combining these elections say it is necessary to get higher turnout for school elections and provide

stricter oversight of school elections. Opponents of combining these elections have argued the bills presented were technically flawed and would have resulted in unintended consequences if enacted. During the 2013 session, opponents of Senate Bill 140, which would have moved the primary and school elections to the first Monday in May, suggested an interim study as an alternative to passing the bill. When considering how much time to devote to SJR 14, the committee instructed staff to research what prior work has been done on this and to report back to the committee before it reviews and adopts a detailed study plan for SJR 14.

Pensions remain high priority

The third priority will be the committee's oversight of the public employee retirement systems, which remains part of the committee's statutory responsibilities. At its first meeting, the committee discussed an emergency rule adopted by the Public Employees' Retirement Board to instruct its actuary concerning what assumptions should be used for the upcoming actuarial valuation of the Public Employees' Retirement System. At issue in the rule about what the actuary should assume will be the Guaranteed Annual Benefit Adjustment for retirees. Under House Bill 454, the GABA for retirees hired prior to July 1, 2007, is reduced from 3 percent to 1.5 percent, which is the same GABA amount as for retirees hired on or after July 1, 2007. However, HB 454 also further reduces the GABA for all retirees from 1.5 percent to a lesser percentage determined by the plan's funded ratio. The difficulty for the actuary is that the funded ratio is determined by the actuarial valuation, but, in order to do the valuation, the actuary must use a set GABA amount. This issue is further complicated by the likelihood that the GABA reduction in HB 454 may be challenged in court and may be nullified as an unconstitutional impairment of contract, which would return the GABA to the amount set in law prior to enactment of HB 454. The board's emergency rule instructed the actuary to assume a 1.5 percent GABA, which is the highest adjustment possible for all retirees under HB 454. The committee voted to request that the board instead instruct the actuary to use the GABA set in law prior to enactment of HB 454. After considering the committee's request, the PERB agreed to instruct its actuary to do the actuarial valuation using two scenarios: one based on a 1.5 percent GABA for all retirees, and another based on a 3 percent GABA for the retirees hired prior to July 1, 2007, and 1.5 percent GABA for those hired on or after July 1, 2007.

The committee also adopted a tentative meeting schedule for the remainder of the interim on the following dates:

- Aug. 20;
- Oct. 24;
- Dec. 10;

- Feb. 6, 2014;
- April 8, 2014;
- June 5, 2014;
- Aug. 12, 2014; and
- Nov. 14, 2014.

Each meeting is open to the public. Public comment on any matter under the committee's jurisdiction is welcome at the time scheduled on each agenda.

Next Meeting

The committee's next meeting is at 9 a.m. Aug. 20 in Room 137 of the Capitol. For more information on the committee's activities and upcoming meeting, visit the committee's website or contact Sheri Scurr, committee staff.

Committee Website: www.leg.mt.gov/sava

Committee Staff: sscurr@mt.gov or 444-3596

Tribal Relations Committee to Travel to Reservations

The State-Tribal Relations Interim Committee held its first meeting June 26 in Room 137 of the Capitol Building in Helena.

At this organizational meeting the committee elected Sen. Jonathan Windy Boy, D-Box Elder, as presiding officer and Representative Alan Doane, R-Bloomfield, as vice presiding officer for the interim. Staff then reviewed committee responsibilities and guidelines, placing an emphasis on the committee's unique role as liaison within a complex myriad of tribal, locals, state, and federal relationships.

The committee first received an overview from Jason Smith, acting director of the Governor's Office of Indian Affairs. Smith described the functions and most recent activities of his office. He placed special focus on the issue of access to credit on reservations and discussion of model tribal secured transaction acts.

The committee then heard from Heather Sobrepena-George, acting program manager of the State Tribal Economic Development Commission and program manager for the Indian Country Economic Development Program within the Montana Department of Commerce. She outlined the Montana Indian Language Preservation Program, which was a result of Senate Bill 342, and the committee's assigned role of monitoring the program.

After lunch, the committee received an update on legislative redistricting from Legislative Services Division staff. That was followed by a brief presentation on law enforcement

from Jim Smith, co-executive director of the Montana Sheriffs and Police Officers Association.

Tribal College Transfer Credits

Subsequently, the agenda item regarding the impact of tribal colleges in Montana was taken up. The discussion turned to one aspect – the transferability of credits between tribal colleges and the Montana University System. Finally, the committee engaged in the topic of bison management. It heard presentations both from Christian Mackay, executive officer of the Montana Department of Livestock and Mark Azure, director for Fort Belknap Department of Fish and Wildlife.

The committee members then discussed and decided upon aspects of their interim work plan including prioritization of issues to examine, calendar of meetings, and choice of visits to reservations. The topics which the committee has chosen to pursue include:

- Language Preservation Pilot Program;
- Bison;
- Prisons;

- Credit/banking;
- Transfer of Tribal College Credits; and
- Jobs/Economic Development.

In addition to these topics, other issues will come into the committee's work plan as a consequence of joint meetings to be held with tribal councils during the interim. Pending confirmation and invitation from the tribes, the committee intends to meet with:

- Fort Belknap Indian Community;
- Crow Tribe;
- Confederated Salish and Kootenai Tribes; and
- leadership of the Little Shell Tribe.

Next meeting

For more information on the committee's activities and upcoming meeting, visit the committee website or contact Casey Barrs, committee staff.

Committee Website: www.leg.mt.gov/tribal

Committee Staff: cbarrs@mt.gov or 406-444-3957

The Back Page SB 175 Brings School Funding Changes

By Susie Lindsay

Legislative Fiscal Division

Public school funding methodologies were once again debated during the 2013 Legislative Session. Sen. Llew Jones, R-Conrad, sponsored Senate Bill 175 that altered the K-12 public education funding system when Gov. Steve Bullock signed it into law on May 6. In doing so, the 2013 Legislature authorized approximately \$48.8 million in state general fund spending to provide for the provisions in SB 175.

SB 175 altered the K-12 education funding structure significantly. The new Data for Achievement Payment was added to the core BASE Aid (state equalization aid) components of school funding. Basic entitlement shifted from one payment to the availability of multiple basic entitlement increments. To provide for the new basic entitlement payments, the Guarantee Account received the excess interest and income generated from the Common School Trust. In addition, a portion of the ending fund balance from the state general fund was transferred to a state special holding account for later payment to the Guarantee Account and pays for the new basic entitlement provisions.

However, not just BASE Aid and basic entitlement were adjusted. Oil and gas revenue distribution changed. The

“concentric circle” provision altered oil and natural gas excess revenue distribution to allow school districts impacted by higher enrollments from nearby oil and gas development – but with no direct oil and gas revenue – to share the excess money. In addition, a new Natural Resource Development Payment was created to offset increases in district general fund BASE budget levies caused by changes to the per-ANB dollar amount increases and the new basic entitlements costs. School districts were authorized to sell revenue bonds using oil and gas revenue as a security as long as debt limits found in 20-9-406, MCA were met. Finally, statutorily defined inflation factors were applied. All in all, SB 175 provided numerous financial mechanisms to alter K-12 public education funding in Montana.

BASE Aid Additions

Additional payment for BASE Aid was provided in the form of a new Data for Achievement Payment and Natural Resource Development Payment. The Data for Achievement Payment is deposited into the district general fund and is added to a district's base and maximum budget. This payment does not require a local match. The amounts are calculated based on the average number belonging (ANB)

count. This is a dollar amount based on the average count of students attending school in a district in October, December, and February of the previous school year. (This is a change to the previous ANB counting structure, which had counted students twice per year.) The amounts equal \$10 per ANB in fiscal year 2014, \$15 per ANB in fiscal year 2015, and \$20 per ANB thereafter. Anticipated unusual enrollment increases will be funded with direct state aid and the guaranteed tax base (GTB) when the year-to-year enrollments increase by the smaller of 4 percent or 40 students. Additional state aid will be provided for the number of students in excess of these limits.

Natural Resource Development Payment

The Natural Resource Development Payment is in addition to direct state aid and district general fund BASE budget levies. Therefore, it is not added to the base budget or to the maximum budget. The Natural Resource Development Payment begins at \$3 million in fiscal year 2015. Thereafter the payment amount will be sufficient to offset increases in base taxes caused by changes in the per-ANB and basic entitlements, until that payment reaches 50 percent of the amount of oil and gas revenue deposited in the state general fund in fiscal year 2012 (50 percent of \$98.3 million), after which the payment is fixed at that amount.

New Basic Entitlement

Under previous law, each district had one basic entitlement, but SB 175 creates basic entitlement increments. The dollar values of the basic entitlement for fiscal years 2014-2015 begin at \$40,000 for elementary, \$80,000 for middle school, and \$290,000 for high school. With the availability of basic entitlement increments, larger districts may receive second and subsequent increments. At the elementary level, the district receives a full basic entitlement for the first 250 students. For each increment of 25 ANB above 250, the elementary budget unit receives another \$2,000 in FY 2014. The table shown explains the increments in more detail. (Source: Office of Public Instruction)

Ending Fund Balances

Previous law required that by July 1, 2016 the combined ending fund balances of all district budgeted funds except the building reserve fund, the debt service fund, and the bus depreciation fund not exceed 300 percent of a district's maximum budget. SB 175 changed this date to July 1, 2020.

In addition, SB 175 authorized the transfer of \$22,950,178 from the state general fund ending fund balance in FY 2013 to a new state special holding account. Two equal installments of \$11,475,089 in fiscal years 2014 and 2015 from this new

account be deposited into the guarantee account to pay for the increase in the new basic entitlement provisions.

Guarantee Account

The Guarantee Account is statutorily appropriated and receives funding from Common School Trust interest and income and other sources. In fiscal year 2012 the Guarantee Account received \$58.4 million from interest and income generated on the Common School Trust. The amount of interest and income that may be used for direct state aid is capped at \$56 million in any year. If interest and income exceeds that amount, then the excess money must be distributed to all school districts. The excess money must be distributed as follows: 50 percent on a quality educator basis and 50 percent reserved in the guarantee account for later appropriation by the Legislature as part of the natural resource development payment. The amount distributed on a quality educator basis must be deposited in the miscellaneous programs fund and be used for repairs, which are categorized as safety, damage mitigation, and code requirements as specified in the facilities condition inventory prepared by the Montana Department of Administration (pursuant to Section 1, Chapter 1, Special Laws of December 2005).

Basic Entitlement Increments

Budget Unit Entitlement	First Basic Additional ANB				
			FY 2014	FY 2015	FY 2016
Elementary	Up to 250 ANB	25	\$2,000	\$2,000	\$2,500
Middle School	Up to 450 ANB	45	\$4,000	\$4,000	\$5,000
High school	Up to 800 ANB	80	\$12000	\$12000	\$15000

Inflation

SB 175 applies the statutorily defined inflation factors to the basic and per-ANB entitlements. In addition, the Montana Superintendent of Public Instruction will propose statutorily defined inflation adjustments to the Quality Educator Payment, At-Risk Payment, Indian Education for All Payment, the American Indian Achievement Gap Payment, and the Data for Achievement Payment.

Oil and Gas Revenue

During the 2011 Legislative session, Senate Bill 329 put a cap of 130 percent of a school district's maximum budget on future oil and gas revenues that a school district could retain. However some exceptions apply to smaller school districts. Excess oil and gas revenue not allowed to be retained will be sent to the state for deposit into the new Oil and Gas Distribution Account created in SB 175. The Office of Public Instruction will distribute the money from this account to the districts that qualify under the concentric circles provisions of SB 175. The term "concentric circle" refers to school

districts that have little or no oil and gas revenue, but overlap or are contiguous to districts that do have excess oil and gas revenue from horizontally completed wells within the last three years. This provision shares excess oil and gas revenues retained by the state with districts that have enrollment impacts, but no direct oil and gas revenue. The legislature appropriated \$22.3 million from the new oil and gas distribution account for the qualifying concentric circles districts.

Oil and gas revenue have specific criteria for budget and spending within the district. In addition, school districts may sell revenue bonds backed by oil and gas revenues as long as the debt limits set forth in 20-9-406, MCA, are met. The bonds may not exceed three times the annual amount of oil and gas revenues. If oil and gas revenues in any year are not sufficient to pay the debt service, a district may levy a tax deficiency levy.

Borrowing Mill Levy Authority

School districts may increase their own general fund over-BASE budget levy without a vote of the people if the district simultaneously reduces the budget levy by a like amount in another fund that did not receive a vote of the people. The ongoing authority for the non-voted increase in the over-BASE budget levy must be decreased to the extent that the district imposes any increase in other non-voted property tax levies.

County School Oil and Natural Gas Impact Account

Eighty percent of the money distributed from this account must be distributed based on quality educators in the district.

New Data Task Force

SB 175 authorized the creation of a task force to review, monitor and provide input to the Office of Public Instruction on ways to enhance the statewide K-12 data system. The Office of Public Instruction received an appropriation of \$13,522 in state general fund to pay for costs associated with the new data task force.

Conclusion

The funding implications contained in SB 175 impacted BASE Aid, Basic Entitlement, school districts' ending fund balances, the state general fund ending balance, the guarantee account and other newly created accounts, inflation factors, and oil and gas revenue distribution. In addition, direction was given for the use of excess interest and income in the Guarantee Account, the use of revenue bonding and mill borrowing levy authority, and distributions from the county school oil and natural gas impact account.

Jim Standaert, former senior fiscal analyst with the Legislative Fiscal Division analyzed the impact to K-12 funding with the passage of SB 175 prior to his retirement on May 31, 2013. For a more detailed description of the implications of SB 175, please refer to Standaert's analysis in the Legislative Fiscal Report by [clicking here](#). If you have additional questions, please contact Amy Carlson, Legislative Fiscal Analyst at 444-2988 or acarlson@mt.gov